

D. Lowy ✓

PHILIP MORRIS MANAGEMENT CORP. INTER-OFFICE CORRESPONDENCE

120 Park Avenue, New York, NY 10017

To: Participants of the Environmental Management Council
San Antonio Meeting, November 7-10, 2001

From: David C. Lowy

Date: November 11, 2001

Cc: Steve Parrish; David Greenberg; Mark Berlind; Karen Daragan; Liz Culley;
Clare Purcell; Thomas Ingermann
Colin Goddard; Paul McNulty; Albrecht Schmidt
David Laufer; Scott Nadler

Thank you once again for your participation in the Environmental Management Council conference last week. Together, we have made real progress in moving forward toward a goal of compliance excellence and societal alignment.

I would like to summarize briefly what we accomplished and where we are going from here.

While this is not intended to be a comprehensive review of our meeting and the resolutions that came out of it, it should help us to focus on the major issues that were agreed upon.

1. We have successfully launched PMCI's new Environmental Management Council (EMC). While the full complement of membership is still being developed, the 30 individuals who attended the meeting were drawn from a broad range of operating company and corporate functions, led by the Environmental Affairs Department. The participation of both Steve Parrish and David Greenberg in the meeting helped ensure that our efforts are supportive of and aligned with the Corporation's direction from the outset.

Steve's endorsement of the EMC and the direction we are taking provides us with an essential mandate to guide the Corporation in the areas we discussed. David Greenberg's additional encouragement and support gives us the clear message that, in terms of compliance, our Environmental Policy and Principles form a significant corporate commitment against which we must be vigilant and compliant.

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2. As a group, and consistent with the requirements of Corporate Environmental Principle (CEP) #9, we reviewed the CEPs to evaluate them in light of important and changing internal and external drivers. These drivers include:
 - The recent worldwide Environmental Management System review
 - Societal alignment trends and priorities
 - Environmental expectations embodied in increasingly-accepted codes of conduct and reporting systems
 - Corporate compliance imperatives, of which the CEPs are an essential element
 - Reputation risks and exposures
 - Dynamic corporate structure and governance systems
 - Board focus: Public Affairs and Social Responsibility Committee
 - CMC interest and growing attention to this set of issues in general
3. As part of this review, we reaffirmed our own commitment to two core environmental goals:
 - To create a floor of compliance excellence as measured against our commitments
 - To move toward leadership in areas appropriate for the world's largest consumer packaged goods company
4. We reviewed and adopted in principle a Restatement of the nine CEPs. This Restatement clarifies and improves upon our existing Principles and provides a contemporary understanding of what they mean in practical terms today. We also reviewed and adopted in principle a supporting management system framework, the elements of which will help us assure compliance, fulfill the commitments embodied in the CEPs, and identify appropriate priorities and opportunities.
5. The overall framework, built on existing systems to the extent possible, will help us focus on a broader understanding of our environmental impacts, including those beyond operations, and prepare us for what is expected of a company such as ours now and in the future.
6. Implementing this framework will take time and will require a phased approach. We will face challenges in setting priorities, striking the balance between societal expectations and business priorities, and working within business planning processes and timing. This is to be expected.

7. Going forward, we will move quickly to build on this week's accomplishments and move ahead together:
 - We will pull together presentations and key discussion points from the session, and get those to you quickly.
 - We will work through your specific comments and suggestions to finalize the overall Restatement and framework for your review over the next few weeks.
8. We have already begun the task of identifying individuals within the EMC (as well as subject-matter experts not part of the Council) who can work with us in smaller groups to plan strategic action steps in the focus areas of:
 - Policy and Performance
 - Stakeholder Relations
 - Innovation and Technology

We will be coming back to you in the coming weeks to request your participation as we move forward.

Again, I appreciate your time, participation, creativity and candor over the last several days. My colleagues in the Environmental Affairs department and I look forward to working with you as we move ahead in this effort.

With best personal regards,

David C. Lowy